



AUDITED FINANCIAL STATEMENTS

BLUMONT AUGEN LIMITED PARTNERSHIP 2007-1

DECEMBER 2007



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MANAGEMENT'S STATEMENT ON FINANCIAL REPORTING

BluMont Capital Corporation (the "Manager"), on behalf of the BluMont Augen General Partner 2007-1 Inc. (the "General Partner") is responsible for the accompanying financial statements and all information in this report. The financial statements have been approved by the Board of Directors of the Manager and the General Partner. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and, where appropriate, reflect management's judgment and best estimates.

Management has established systems of internal control that provide assurance that assets are safeguarded from loss or unauthorized use and produce reliable accounting records for the preparation of financial information. The systems of internal controls meet management's responsibilities for the integrity of the financial statements.

The Board of Directors meets with management and the auditors to discuss the Partnership's financial reporting and internal control. The Board of Directors reviews the results of the audits by the auditors and their audit report. The external auditors have unrestricted access to the Board of Directors.

The Manager and General Partner recognize their responsibility to conduct the Partnership's affairs in the best interest of its unitholders.

Respectfully,

"Paul J. Perrow"

President and Chief Executive Officer
BluMont Capital Corporation
March 24, 2008

AUDITORS' REPORT

TO THE UNITHOLDERS OF BLUMONT AUGEN LIMITED PARTNERSHIP 2007-1

We have audited the statements of net assets and investments and other net assets of BluMont Augen Limited Partnership 2007-1 (the "Fund") as at December 31, 2007 and the statements of operations, changes in net assets and cash flows for the period from August 21, 2007 (date of formation) to December 31, 2007. These financial statements are the responsibility of the General Partner and the Manager of the Fund. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2007 and the results of its operations, the changes in its net assets and its cash flows for the period from August 21, 2007 (date of formation) to December 31, 2007 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants, Licensed Public Accountants
Toronto, Canada
March 24, 2008

STATEMENT OF NET ASSETS

As at December 31, 2007

**BLUMONT AUGEN LIMITED
PARTNERSHIP 2007-1******ASSETS**

Investments at market value*

Canadian equities

\$ 13,288,466

Cash and cash equivalents

17,596

Accrued investment income

1,684

Total Assets

13,307,746**LIABILITIES**

Accounts payable:

Fees and operating expenses

50,397

Due to Portfolio Manager

59,073

Loan Payable

1,586,460

Total Liabilities

1,695,930**NET ASSETS REPRESENTING PARTNERS' CAPITAL**\$ 11,611,816**NUMBER OF PARTNERSHIP UNITS OUTSTANDING**1,609,570**NET ASSET VALUE PER PARTNERSHIP UNIT**\$ 7.21

* Investments, at cost

\$ 16,124,754

** The Partnership was formed on August 21, 2007.

On behalf of the BluMont Augen Limited Partnership 2007-1 by BluMont Augen General Partner 2007-1 Inc.

"Paul J. Perrow"

Paul Perrow

Director

The accompanying notes are an integral part of these financial statements.

STATEMENT OF OPERATIONS

For the period August 21, 2007 to December 31, 2007

**BLUMONT AUGEN LIMITED
PARTNERSHIP 2007-1******INVESTMENT INCOME**

Interest	\$ 48,334
	<u>48,334</u>

EXPENSES (Note 3)

Management fees	39,960
General operating expenses	66,236*
Audit fees	30,000
Legal fees	16,800
Securityholders' reporting costs	143
Interest expense	<u>16,810</u>
	169,949
Less: Expenses absorbed by the Manager	<u>60,479*</u>
	<u>109,470</u>

NET INVESTMENT LOSS(61,136)**NET CHANGE IN UNREALIZED DEPRECIATION OF INVESTMENTS AND NET LOSS ON INVESTMENTS**(2,836,288)**DECREASE IN NET ASSETS FROM OPERATIONS**\$ (2,897,424)**AVERAGE NUMBER OF UNITS OUTSTANDING**1,609,570**DECREASE IN NET ASSETS FROM OPERATIONS PER UNIT**\$ (1.80)

* Certain expenses relate to the establishment of the Partnership which the Manager has absorbed and the Partnership has not paid. These are not expected to recur in the future.

** The Partnership was formed on August 21, 2007.

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSETS
For the period August 21, 2007 to December 31, 2007

**BLUMONT AUGEN LIMITED
PARTNERSHIP 2007-1****

Net Assets, Beginning of Period	\$ <u> </u> -
Decrease in Net Assets from Operations	<u> </u> (2,897,424)
From Capital Unit Transactions:	
Proceeds from issue of units, net of issue costs	<u> </u> 14,509,240
Net Assets, End of Period	\$ <u> </u> 11,611,816

** The Partnership was formed on August 21, 2007.

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the period August 21, 2007 to December 31, 2007

**BLUMONT AUGEN LIMITED
PARTNERSHIP 2007-1******Operating Activities**

Decrease in net assets from operations	\$ (2,897,424)
Add non-cash items:	
Net change in unrealized depreciation of investments	<u>2,836,288</u>
	(61,136)
Investments purchased	(16,124,754)
Net change in non-cash balances relating to operations	<u>107,786</u>
Cash used in operating activities	<u>(16,078,104)</u>

Financing Activities

Proceeds from issue of units, net of issue costs	14,509,240
Proceeds from loan facility <i>(Note 4)</i>	<u>1,586,460</u>
Cash provided by financing activities	<u>16,095,700</u>

Increase in cash and cash equivalents 17,596

Cash and cash equivalents, beginning of period -

Cash and cash equivalents, end of period \$ 17,596

** The Partnership was formed on August 21, 2007.

The accompanying notes are an integral part of these financial statements.

STATEMENT OF INVESTMENTS AND OTHER NET ASSETS

As at December 31, 2007

	Number of Shares	Average Cost	Market Value	% of Total Net Asset Value
Canadian Equities				
Energy				
Knight Resources Limited	3,250,000	\$ 1,300,000	\$ 731,250	
Knight Resources Limited Warrants	3,250,000	-	-	
Rochester Energy Corporation Restricted	2,070,000	828,000	869,400	
		2,128,000	1,600,650	13.8
Basic Materials				
American Creek Resources Limited Restricted	1,818,181	999,999	709,091	
Arianne Resources Inc. Restricted	4,000,000	600,000	420,000	
Arianne Resources Inc. Warrants	2,000,000	-	2	
Avalon Ventures Limited	430,000	795,500	709,500	
BNP Resources Inc. 'A' Restricted	200,000	300,000	282,000	
Baffinland Iron Mines Corporation	75,500	400,150	335,975	
Bonaventure Enterprises Inc. Restricted	2,255,600	1,015,020	789,460	
Bonaventure Enterprises Inc. Warrants	2,255,600	-	-	
Claude Resources Inc.	270,270	500,000	364,865	
Diamondex Resources Limited Restricted	2,000,000	500,000	590,000	
Donner Metals Limited Restricted	400,000	260,000	198,000	
Donner Metals Limited Warrants	200,000	-	-	
GLR Resources Inc. Restricted	625,000	500,000	331,250	
Galore Resources Inc.	1,052,632	500,000	315,791	
Galore Resources Inc. Warrants	526,316	-	-	
Kodiak Exploration Limited	166,700	800,160	776,821	
Laurentian Goldfields Limited	625,000	250,000	250,000	
Moneta Porcupine Mines Inc. Restricted	2,775,000	499,500	693,750	
Northern Gold Mining Inc.	333,333	200,000	123,333	
Northern Gold Mining Inc. Warrants	166,666	-	-	
Paragon Minerals Corporation	1,000,000	1,000,000	990,000	
Pitchstone Exploration Limited	246,000	762,600	511,680	
Puma Exploration Inc. Restricted	909,090	499,999	427,272	
Rockport Mining Corporation	470,589	400,001	400,001	
Roxgold Inc.	560,000	240,800	159,601	
Roxgold Inc. Warrants	280,000	-	-	
Sage Gold Inc. Restricted	800,000	400,000	408,000	
Sage Gold Inc. Warrants	400,000	-	-	
StrataGold Corporation Restricted	3,369,565	775,000	606,522	
Sultan Minerals Inc. Restricted	2,300,000	805,000	575,000	
Sultan Minerals Inc. Warrants	2,300,000	-	-	
Triex Minerals Corporation	145,000	493,000	346,550	
Tyhee Development Corporation Restricted	666,700	500,025	373,352	
		13,996,754	11,687,816	100.6

	Average Cost	Market Value	% of Total Net Asset Value
Total Positions Including Transaction Costs	16,124,754	13,288,466	114.4
Transaction Costs	-	-	-
TOTAL INVESTMENT PORTFOLIO	16,124,754	13,288,466	114.4
Other Assets Net of Liabilities ¹	(1,676,650)	(1,676,650)	(14.4)
NET ASSETS REPRESENTING PARTNERS' CAPITAL	\$ 14,448,104	\$ 11,611,816	100.0

¹ This amount is comprised of cash and cash equivalents plus accrued investment income less accounts payable.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

1. FORMATION OF THE PARTNERSHIP

BluMont Augen Limited Partnership 2007-1 (the "Partnership") was formed on October 11, 2007 as a limited partnership under the laws of the Province of Ontario. Operations commenced on October 30, 2007 following the Partnership's first closing. The Partnership has a limited life dissolving on June 29, 2009, subject to earlier dissolution on the terms set forth in the partnership agreement. The General Partner of the Partnership is BluMont Augen General Partner 2007-1 Inc. (the "General Partner"), a company incorporated on August 21, 2007 under the Ontario Business Corporations Act. The General Partner is a wholly owned subsidiary of BluMont Capital Inc.

BluMont Capital Corporation has been retained as the portfolio manager (the "Portfolio Manager") to select flow-through shares and other investments in consultation with Augen Capital Corp. The Partnership invests in flow-through shares of resource companies involved in mineral exploration and oil and gas exploration. The Partnership is subject to various risk factors including, but not limited to, the lack of a public market for the units of the Partnership, risks inherent in resource exploration, and adverse fluctuations in the value and possible illiquidity of the flow-through shares and securities, if any, held by the Partnership.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

A summary of the significant accounting policies is summarized below.

(I) Adoption of Section 3855: Financial Instruments – Recognition and Measurement

Investments are recorded in the accounts at their market value, determined as follows:

The Canadian Institute of Chartered Accountants' (CICA) Handbook Section 3855, Financial Instruments – Recognition and Measurement, which applies to the interim periods and fiscal years beginning on or after October 1, 2006, requires that the fair value of financial instruments, which are actively traded, be measured based on the bid price for the security. Prior to that, fair value for GAAP was based on the last traded price for the day, when available.

National Instrument 81-106 ("NI 81-106"), Investment Fund Continuous Disclosure, requires the daily net asset value of an investment fund to be calculated in accordance with GAAP. Notwithstanding the prescribed implementation date of Section 3855, the Canadian Securities Administrators granted interim relief to investment funds from complying with Section 3855 when calculating the daily net asset value for the purpose of processing unitholder transactions. The relief was granted to permit further review of the impact of Section 3855 and is effective until the earlier of September 30, 2008 or the date on which proposed amendments to NI 81-106 come into effect. The net asset

value calculated in accordance with Section 3855 is referred to as the Partnership's net asset value for financial reporting ("GAAP Net Asset Value"). A reconciliation between the Partnership's GAAP Net Asset Value and the Partnership's net asset value for purposes other than financial reporting ("Trading Net Asset Value") is given in Note 6.

Section 3855 also requires that transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Partnership be charged to net income in the period. Accordingly, these costs must be expensed and are included in "Transaction costs" in the Statement of Operations. The difference between market value and the average cost is shown as the net change in unrealized appreciation of investments.

(II) Cash and cash equivalents, and other monetary balances

The carrying values of cash and cash equivalents, and accounts payable approximate their fair value given the short periods to maturity of the instruments.

(III) Investments

Investments are recorded at fair value with the difference between fair value and cost being recorded as unrealized appreciation or depreciation in value of investments. In the case of securities listed on stock exchanges, the fair value means the latest bid price. For money market instruments the fair value means the bid price provided by independent security pricing services. Investments for which reliable quotations are not readily available are valued at their fair value as determined by the General Partner using readily available market data.

(IV) Revenue recognition

Investment transactions are accounted for on the trade date. Income and expenses are recorded on an accrual basis. Interest income is recorded daily as it is earned. Realized gains and losses from the sale of investments are calculated using the average cost basis.

(V) Allocation of Partnership Income or Loss

These financial statements include only the assets, liabilities, revenues and expenses of the Partnership and do not include the other assets and liabilities including income taxes of the individual partners. The net income or loss of the Partnership is allocated 0.01% to the General Partner with the balance to the Limited Partners in proportion to the number of units held by each of them at the end of each period. The Partnership itself is not a taxable entity, and therefore no provision for income tax is required.

(VI) Use of Estimates

These financial statements, prepared in accordance with Canadian generally accepted accounting principles, include estimates and assumptions by management that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of certain revenue and expenses during the period. Actual results could differ from these estimates.

(VII) Increase (Decrease) in Net Assets from Operations Per Unit

Increase (decrease) in net assets from operations per unit amount is determined by dividing the increase (decrease) in net assets from operations by the average number of units outstanding during the period.

(VIII) Recent Canadian Accounting Pronouncements Issued And Not Yet Adopted

CICA Handbook Sections 3862 and 3863

The new Sections 3862 and 3863 replace Section 3861, “Financial Instruments – Disclosure and Presentation,” revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The new standards apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, specifically January 1, 2008 for the Fund.

This standard will impact the Fund’s disclosures provided but will not affect the Fund’s results or financial position.

3. RELATED PARTY TRANSACTIONS

The Portfolio Manager is entitled to an annual management fee equal to 2% of the Net Asset Value of the Partnership, calculated daily and payable monthly in arrears. Management fees were \$39,960 for the period ended December 31, 2007.

The General Partner will be entitled to an additional distribution of Partnership property (the “Performance Bonus Allocation”) on the earlier of (i) the day prior to completion of the transfer of Partnership assets to the BluMont Augen Resource Strategy Fund Inc. and (ii) the day immediately prior to the date of dissolution or termination of the Partnership (“the Performance Bonus Date”) in an amount per unit equal to 20% of the amount by which the aggregate of the net asset value per unit and any distributions per unit paid during the period commencing on October 30, 2007 and ending on the Performance Bonus Date (prior to giving effect to this Performance Bonus Allocation) exceeds \$11.20. The Performance Bonus Allocation may be paid in cash or, subject to applicable law, in shares of the BluMont Augen Resource Strategy Fund Inc. at the option of the General Partner.

4. LOAN FACILITY

On October 30, 2007, the Partnership entered into a term loan facility (the “Loan Facility”) with a Canadian chartered bank. The amount of the Loan Facility is \$1,586,460 and matures on the earlier of April 30, 2009 or the dissolution date of the Partnership. The Loan Facility is secured by a general security agreement and is subject to certain financial covenants. Interest is calculated at the bank’s prime lending rate. The weighted average interest rate for the period was 6.14%.

The Partnership was in compliance with all financial covenants at December 31, 2007, and throughout the period. During the period, \$16,810 of interest on the Loan Facility was paid by the Portfolio Manager on account of the Partnership.

5. TAXES

The federal and Quebec tax shelter identification numbers issued for the Partnership are TSO73205 and QAF-07-01231, respectively, and should be included in any income tax return filed by a Limited Partner. Issuance of the identification number does not in any way confirm the entitlement of an investor to claim any tax benefits associated with the tax shelter.

The tax cost of the flow-through common shares is reduced by the amount of renounced Canadian exploration and development expense allocated to the Partnership. The disposition of flow-through common shares and flow-through convertible warrants could give rise to tax consequences to the partners.

6. RECONCILIATION OF GAAP NAV TO TRADING NAV

Net Asset Value (\$)			Net Asset Value per Unit (\$)		
Trading NAV	Sec. 3855 Adjustment	GAAP NAV	Trading NAV	Sec. 3855 Adjustment	GAAP NAV
\$11,960,848	\$(349,032)	\$11,611,816	\$7.43	\$(0.22)	\$7.21

PARTNERSHIP INFORMATION

MANAGER AND PRINCIPAL DISTRIBUTOR

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